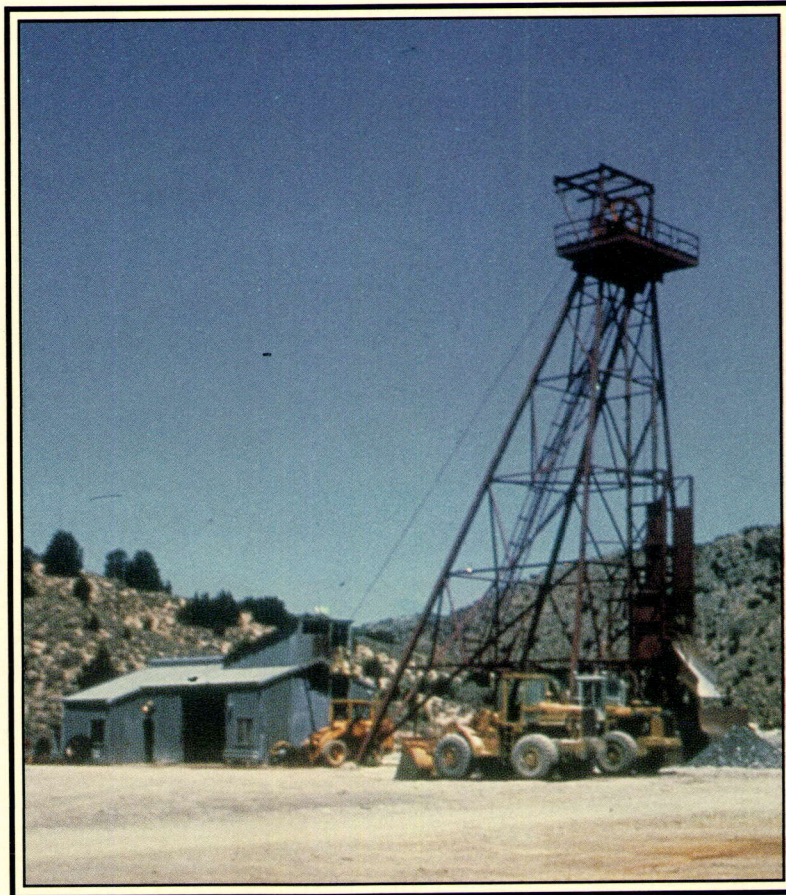




# South Standard Mining Company

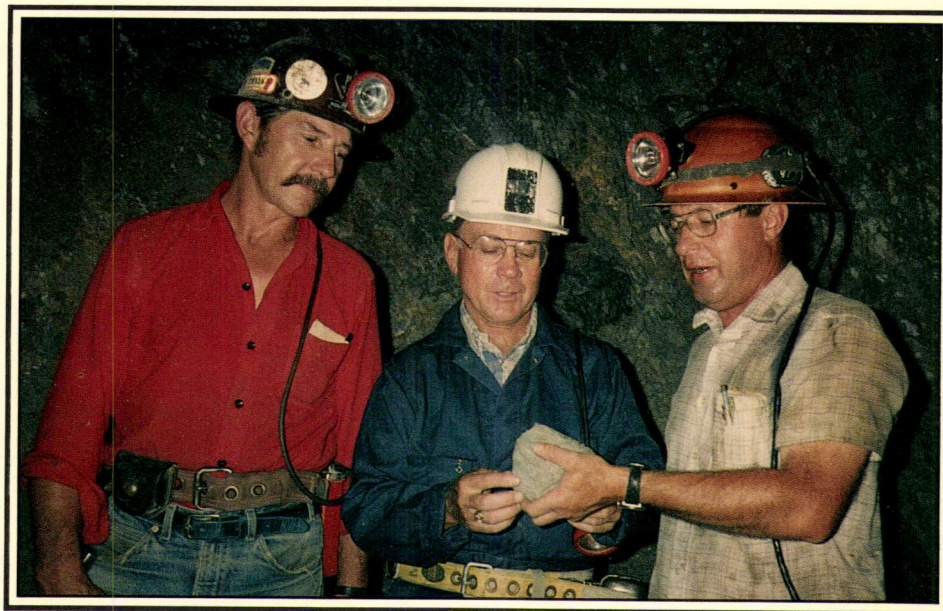


## 1990 ANNUAL REPORT

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Including Annual Report on Form 10-K  
as filed with the Securities and Exchange Commission





**UNDERGROUND AT TRIxie MINE:**

*Left to Right – Ron Bray, Trixie Mine Superintendent;  
Thomas A. Henry, Jr., President of South Standard and  
Glenn Mellor, Sunshine Senior Geologist*

**OFFICERS:**

Thomas A. Henry, Jr. — President  
Russell B. Taylor — Vice President  
J. Murray Ruby — Secretary-Treasurer

**DIRECTORS:**

Thomas B. Faddies  
Mining Geologist  
Provo, Utah

Thomas A. Henry, Jr.  
Attorney at Law  
La Jolla, California

Philip M. Lindstrom  
Consulting Mining Engineer  
Silverton, Idaho

J. Murray Ruby  
Secretary/Treasurer of the Company  
Salt Lake City, Utah

Russell B. Taylor  
Private Investor and Rancher  
Eskridge, Kansas

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**ANNUAL MEETING**

This 1991 Annual Meeting of Stockholders of South Standard Mining Company will be held at 10:00 a.m., June 5, 1991 in the Board Room of Jones, Waldo, Holbrook & McDonough, Suite 1500 First Interstate Plaza at 170 South Main Street, Salt Lake City, Utah 84101

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**ON THE COVER:** *Headframe of Trixie Mine*

**PROXY STATEMENT**  
**Annual Meeting of Stockholders**  
**SOUTH STANDARD MINING COMPANY**

To Be Held June 5, 1991  
at 1500 First Interstate Plaza  
170 South Main Street  
Salt Lake City, Utah  
84101

This statement is furnished in connection with the solicitation of proxies by the Board of Directors of South Standard Mining Company (the "Company") for use at the Annual Meeting of Stockholders to be held at 10:00 a.m. on June 5, 1991, at the Board Room of Jones, Waldo, Holbrook & McDonough, Suite 1500 First Interstate Plaza at 170 South Main Street, Salt Lake City, Utah 84101. The cost of this solicitation will be borne by the Company.

Stockholders of record at the close of business on April 19, 1991, will be entitled to vote at the meeting. Any stockholder giving the enclosed proxy has the power to revoke it at any time prior to the voting thereof.

The Company's principal executive office is located at 1111 Walker Center, 175 South Main Street, Salt Lake City, Utah 84111. This proxy statement and the accompanying proxy were first sent to stockholders on or about May 3, 1991.

**1. OUTSTANDING VOTING SECURITIES AND OWNERSHIP BY PRINCIPAL HOLDERS AND MANAGEMENT**

The Company has outstanding 1,244,458 shares of common capital stock (being the only class of voting securities of the Company), the holders thereof being entitled to one vote for each share held.

The following table shows as of March 26, 1991 stock ownership of all persons known by the Company to be beneficial owners of more than 5 percent of the common stock of the Company.

<u>Name and Address of Beneficial Owners (2)</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class</u>
Raddatz Family, Ltd. c/o First Interstate Bank of Utah, N.A. Trust Division P. O. Box 30169 Salt Lake City, Utah 84142	358,554 (1)	28.8%
CEDE & Co. c/o The Depository Trust Co. Box 20 Bowling Green Station New York, N.Y. 10274	168,288 (2)	13.5%

(Footnotes contained on following page.)

(1) The families of the five deceased children of Emil John Raddatz and various trusts established of which members of the above families are beneficiaries own all of the partnership interests of Raddatz Family, Ltd. and all of the outstanding stock of Raddatz Management Corporation, the general partner of Raddatz Family, Ltd. Sara R. Henry, the wife of Thomas A. Henry, Jr., president of the Company, is one of the family members referred to above.

(2) CEDE & Co. is a record owner of 526,842 shares of the Company. The Company has determined that 358,554 shares of the Company of which CEDE & Co. is the record owner is beneficially owned by Raddatz Family, Ltd. (see above). As of the date hereof the Company has been unable to determine the names of beneficial owners, if any, of the remaining 168,288 shares.

The following table shows, as of April 1, 1991 stock ownership of all directors and nominees for directors of the Company, and of all directors and officers as a group, of the common stock of the Company.

<u>Name of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class</u>
Thomas B. Faddies	1,000	.08%
Thomas A. Henry, Jr.	9,928	.797%
Philip M. Lindstrom	3,000	.24%
J. Murray Ruby	100	.008%
Russell B. Taylor	50,261	4.04%
All Directors and Officers As a Group (5 Directors and 3 Officers)	64,289	5.17%

## **2. COMMITTEES OF THE BOARD OF DIRECTORS**

The Company does not have standing audit, nominating or compensation committees of the Board of Directors.

## **3. MEETINGS OF THE BOARD OF DIRECTORS**

There was one meeting of the Board of Directors during the last fiscal year of the Company. All directors attended.

## **4. COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS**

The following table sets forth information concerning all cash compensation paid by the Company for services in all capacities to all executive officers and directors of the Company as a group during the fiscal year ended December 31, 1990. The Company has no executive officers or directors whose total cash compensation exceeded \$60,000. No executive officer or director of the Company received any deferred compensation or any compensation other than shown below. No officer or director was indebted to the Company during the last fiscal year or was involved in any financial transaction with the Company.



# **SOUTH STANDARD MINING COMPANY**

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## **NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

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**June 5, 1991**

**TO THE STOCKHOLDERS:**

Notice is hereby given that the Annual Meeting of Stockholders of South Standard Mining Company, a Utah corporation, will be held in the Board Room of Jones, Waldo, Holbrook & McDonough, Suite 1500 First Interstate Plaza at 170 South Main Street, Salt Lake City, Utah 84101, on Wednesday, June 5, 1991 at 10:00 a.m. for the purpose of:

- (1) Electing a Board of Directors for the ensuing year; and
- (2) Transacting such other business as may properly come before the meeting.

Stockholders of record at the close of business on April 19, 1991, will be entitled to vote at the meeting or any adjournment thereof.

If you do not expect to be present at the meeting, please sign, date and return the accompanying proxy in the enclosed self-addressed envelope which requires no postage if mailed in the United States.

**BY ORDER OF THE BOARD OF DIRECTORS**

**J. MURRAY RUBY, Secretary**

Salt Lake City, Utah  
May 3, 1991

(See Proxy Statement Following)

## **9. OTHER MATTERS**

The Board of Directors knows of no other matters which are likely to be presented at the meeting.

If other matters should properly come before the meeting, it is intended that the proxy holders will vote thereon in their discretion.

BY ORDER OF THE BOARD OF DIRECTORS

J. Murray Ruby, Secretary

Dated at Salt Lake City, Utah  
May 3, 1991

**NOTE: STOCKHOLDERS WHO DO NOT EXPECT TO ATTEND THE MEETING ARE REQUESTED TO SIGN AND RETURN THE ENCLOSED PROXY. NO POSTAGE IS REQUIRED IF MAILED IN THE ENCLOSED SELF-ADDRESSED ENVELOPE.**



<u>Name of individual or number of persons in group</u>	<u>Capacities in which served</u>	<u>Cash compensation</u>
All Directors and Officers as a Group (5 Directors and 3 Officers)	(1)	\$26,450 (1)

(1) This amount represents \$4,000 paid as directors fees to all directors, \$20,800 paid to J. Murray Ruby as salary and bonus for serving as Secretary-Treasurer of the Company, \$300 paid to Philip M. Lindstrom as a consulting fee and \$1,350 paid to Thomas A. Henry, Jr. for services rendered.

## 5. ELECTION OF DIRECTORS

It is intended that the persons designated as proxies will vote the shares represented by the accompanying form of proxy in favor of the election of the persons named below to be directors of the Company for a term of one year and until the election and qualification of their successors. The Board has no reason to believe that any of the nominees will be unavailable for the election, but if any nominee should become unavailable for the election, it is intended that discretionary authority be exercised to vote the proxies for the election of such other person as the Company may designate.

<u>Nominee</u>	<u>Principal Occupation (for at least the last 5 years) and Employment by the Company</u>	<u>Period of Service as Director</u>	<u>Shares Beneficially Owned on 4/1/91</u>
Thomas B. Faddies	Geologist, with 19 years experience in base and precious metal mines in both technical support and supervisory positions. Since June, 1983 Mr. Faddies has held several positions with Barrick Mercur Gold Mine, Mercur, Utah and is currently Mine Superintendent. Age 45.	March 21, 1988 to date	1,000 (.08% of outstanding common stock)
Thomas A. Henry, Jr.	Attorney at Law practicing in La Jolla, California since 1967; President of the Company since April 13, 1979; Vice-President of the Company from May 22, 1978 to April 13, 1979. Age 52.(1)	April 21, 1978 to date	9,928 (.797% of outstanding common stock) (1)
Philip M. Lindstrom	Consulting Mining Engineer in Silverton, Idaho since November 1, 1982. Mr. Lindstrom retired from Hecla Mining Company on October 31, 1982 after 40 years of service. Among the services performed for Hecla were those of Chief Engineer, Mine Operator and Investment Manager. Age 73.	March 11, 1986 to date	3,000 (.24% of outstanding common stock)

Footnote contained on following page.

J. Murray Ruby	Geologist; Secretary of the Company since June 12, 1974; and Treasurer of the Company since June 11, 1975. Age 70.	June 11, 1975 to date	100 (.008% of outstanding common stock)
Russell B. Taylor	During the last 5 years, Mr. Taylor's primary occupation has been that of a Private Investor and Rancher in Eskridge, Kansas. Age 65.	April 21, 1978 to date	50,261 (4.04% of outstanding common stock)

(1) Mr. Henry is a director of Raddatz Management Corporation, the General Partner of Raddatz Family, Ltd.

## **6. INDEPENDENT PUBLIC ACCOUNTANTS**

The independent accountants for the Company are Arthur Andersen & Co. and they have been selected by the Board of Directors to serve as such for the current year. A representative of said firm is expected to be present at the annual meeting of stockholders and will be allowed to make a statement if he desires to do so and will be available to respond to appropriate questions.

## **7. ANNUAL REPORT**

The annual report of the Company for the year ending December 31, 1990, containing financial and other information about the Company, is enclosed with this proxy material.

## **8. STOCKHOLDER PROPOSALS**

If a stockholder intends to present a proposal to stockholders at the 1992 annual meeting of the Company, the proposal, in order to be included in the Company's proxy statement and form of proxy for that annual meeting, must be received by the Company at its principal executive offices on or before November 30, 1991.



# South Standard Mining Company

1111 Walker Center  
Salt Lake City, Utah 84111

## TO OUR SHAREHOLDERS:

The Dodgers were playing the Padres at San Diego Jack Murphy Stadium and Bruce Hurst was on the mound for San Diego. As the first batter for the Dodgers got up to the plate, he blessed himself. A fan sitting behind the dugout turned to a priest sitting next to him and asked, "Father, will blessing himself help him get a hit?" The priest replied: "Only if he can hit a curveball, my son."

Similarly, divine providence can do little for the profitability of companies such as ours unless the prices of gold and silver increase well beyond the break even point. When they do, we will feel blessed.

The precious metals market certainly has thrown us a curve ball over the last few years, especially where silver is concerned. Our earnings continue to be flat as a result. However, our current assets at year end were approximately 26% higher than current assets at the end of 1989, resulting in a very strong cash position for our company. In these days of fiscal uncertainty, you can't have too much cash.

Being cognizant of our corporate policy to share a substantial portion of our net income with our shareholders, we are well positioned with our current liquidity to either declare dividends, or to authorize market repurchase of our own shares. These alternatives can be considered as soon as our books reflect available unreserved and unrestricted surplus, as required by Utah law.

Unfortunately, until our income rises either from an increase in metals prices or the addition of production from the Burgin mine, or a combination of both, it is unlikely that we will be able to significantly reduce the deficit.

There is one factor which will result in an immediate reduction of accumulated deficit. As of March 3, 1991, our obligation under the Eureka Standard Purchase Contract, to pay Chief Consolidated Mining Company, 16½% of all royalties from leased mining properties over a base figure of \$19,040, is terminated. This should result in our receipt this year of an additional \$15,000 or more, in royalties, based upon 1990 royalty payments.

The board has resisted the temptation to revalue corporate assets to current fair market value, for purposes of creating a current surplus from which dividends might be paid or share repurchases accomplished. However, consideration will be given to adopting such action if the board concludes that this is in the shareholders' best interest to do so. The hope is that the development of production from the Burgin Mine would obviate the need for such adjustment of asset values.



The litigation with Sunshine Mining over the lack of progress on the Burgin development continues to unfold. We remain optimistic that the result will be a positive one from which all parties may benefit. Our role as a plaintiff in the action continues to be one of maintaining a low profile. The principal plaintiff and our co-lessor, Chief Consolidated Mining Company, continues to vigorously and effectively pursue the action.

A report on specific areas of company involvement follows:

## **EAST TINTIC DISTRICT**

South Standard received \$115,100 in royalty and advance royalty payments from the Trixie Mine and Burgin Tract in 1990, compared with \$126,102 in 1989 and \$110,640 in 1988.

### **Trixie Mine**

Ore production continued during 1990 from the Trixie Mine. 31,115 tons of ore were shipped to smelters with a grade of 6.68 ounces of silver and 0.274 ounces of gold per ton. This ore contained 207,706 ounces of silver and 8,519 ounces of gold.

Ore reserve increases in the Trixie Mine have kept ahead of mine production over the years, and from the start of production in 1969 through 1990 the Trixie Mine has produced 631,749 tons of ore with an average grade of 6.82 ounces of silver and 0.216 ounces of gold per ton. This totals 4,310,178 ounces of silver and 136,461 ounces of gold.

During 1990, exploration drifting and drilling continued in the Trixie Mine, in addition to continuing stope development.

### **Eureka Standard Mine**

The Eureka Standard Mine, also in the East Tintic Unit, was acquired by South Standard in the merger with Eureka Standard Consolidated Mining Company in 1983. This mine lies contiguous to the north of the Trixie Mine and this property lies along the Eureka Standard fault, which extends from the Trixie northeast into the Burgin Mine workings.

During 1990, Sunshine conducted rehabilitation and geological evaluation of the Eureka Standard 1100 level from the Trixie 1300 level, and connection was made with these workings by drifting to the southwest from the Apex No. 2 shaft in the Apex-Burgin area. No significant results have been obtained, so far, and on February 1, 1991 Sunshine put the Apex-Burgin project on hold, due to low silver prices.

The Eureka Standard was the highest grade precious metal mine in the district. Prior to World War II it produced over 370,000 tons of ore with a grade of 0.70 oz. per ton gold, 9.3 oz. per ton silver and 4.0% copper, producing some 259,000 ounces of gold, 3,441,000 ounces of silver and 29,600,000 lbs. of copper. Sunshine and your management believe there is further potential in the Eureka Standard Mine.



## Burgin Mine

The Burgin Mine was part of the East Tintic Unit, under lease to Kennecott, until it was shut down in July, 1978 at which time a 1,387 acre portion of Tract 1 was re-assigned to Chief Consolidated Mining Company. On October 15, 1980 Chief leased the Burgin Mine and the 1,387 acres to Sunshine Mining Company. This lease is for a term of 50 years with a right to renew for an additional 25 years. Sunshine is paying \$100,000 annually as an advance royalty until production begins and will pay a 7.5% net smelter return on production.

South Standard's share of the royalties received by Chief from the Burgin Mine tract is  $22\frac{2}{3}\%$  of the \$100,000 annual advance royalty and  $22\frac{2}{3}\%$  of the 7.5% production royalty.

New ore reserves in the Burgin Mine which have been established by Sunshine's drilling since acquiring the lease from Chief remain at approximately 1,875,000 tons of indicated ore. Of this amount the following classifications have been reported by Sunshine as being approved by the SEC:

<u>Classification</u>	<u>Tons</u>	<u>Silver oz/ton</u>	<u>Lead %</u>	<u>Zinc %</u>
Proven	487,655	21.26	21.2	7.5
Probable	534,011	22.26	16.4	5.5

During 1990, no new ore reserves were established, but Sunshine has continued to seek joint-venture partners for the Apex-Burgin project among both Japanese and American companies. To date, no agreements have been made that would lead to re-opening the New Burgin Mine.

Throughout 1990, Sunshine worked with the Utah Department of Health Bureau of Water Pollution Control in regard to plans and permits for water disposal from the New Burgin Mine when it is re-opened.

Your Company has hoped that resumption of operations in the Burgin Mine would have started in the last two years. Even though Sunshine continues to work on this project, low metal prices, not only for silver but also for lead and zinc have been a problem. We hope that low metal prices will not long be the case.

## Homansville Fault Area

In October, 1982, the East Tintic Leases and Unit Agreement were amended to provide for a carve-out of Tracts 2 and 3 of the Unit and their return to Chief Consolidated Mining Company. These tracts comprise 2,013 acres in the northwest part of the Unit along the Homansville fault. This carve-out is essentially the same as the Burgin Mine carve-out and the royalties will remain the same as in the Burgin.

Chief has reported that it continues to seek further development of this property.

## GENERAL

During October, 1990 Sunshine conducted surface reverse drilling on the Iron Blossom property, in the West Tintic Unit, to test a previously outlined vertical pipe of oxidized siliceous vein material.



In 1990, Sunshine entered into an agreement with Ash Grove Cement West, Inc. to mine and purchase alumina clay and iron oxides from the East Tintic Unit property. By year end, Ash Grove indicated that they would purchase approximately 50,000 tons per year. 19,767 tons of clay were shipped to the cement plant in 1990.

## **TINTIC URANIUM COMPANY**

South Standard owns 12.8% of the stock of Tintic Uranium Company. Tintic Uranium owns 177 acres of mineral rights which lie astride the Lisbon fault in San Juan County, Utah. A diamond drill hole made several years ago intercepted 50 feet of mineralization which assayed 3.75% copper and 1.45 oz. of silver per ton. Tintic Uranium believes that this copper mineralization extends along the Lisbon fault for a length of about 2,000 ft. on its property.

During 1990, Sindor Inc., lessee of Tintic Uranium's property, reported that it had drilled 20 holes in the area that it is now working on environmental permits necessary to proceed toward developing an open pit copper mine.

## **OIL AND GAS INTERESTS**

South Standard owns a 5% working interest in a 400 acre producing lease in Culberson County, Texas and a 2.46% overriding royalty interest in 868 acres of producing oil and gas leases in Cooke County, Texas. Oil and gas revenue from these properties was \$6,577 in 1990 compared with \$7,066 in 1989. Production rates and oil prices have been variable during the past year.

**PLEASE REFER TO OUR 10-K REPORT AND NOTES TO FINANCIAL STATEMENTS FOR FURTHER INFORMATION CONCERNING SOUTH STANDARD'S PROPERTIES, MORE DETAIL OF 1990 EVENTS AND THE TERMS AND PROVISIONS OF THE VARIOUS LEASES — REFER TO THE MAP IN THIS REPORT FOR PROPERTY AND MINE LOCATIONS.**

## **CONCLUSION**

The metals market which we have experienced throughout most of the 1980's and the early part of the 1990's has taken us well into "extra innings" on the development of our company resources. Your continued understanding and patience is greatly appreciated and, we believe, will be rewarded in this decade.

## **SOUTH STANDARD MINING COMPANY**

Thomas A. Henry, Jr., President



**South Standard  
Mining Company**

**MINE AND PROPERTY MAP  
&  
1990 FORM 10-K REPORT**





FORM 10-K

SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)

For the Fiscal Year Ended December 31, 1990

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-1819-2

SOUTH STANDARD MINING COMPANY

(Exact name of registrant as specified in its charter)

Utah

(State or other jurisdiction of  
incorporation or organization)

87-0267357

(I.R.S. Employer  
Identification No.)

1111 Walker Center, Salt Lake City, Utah  
(Address of principal executive offices)

84111

(Zip Code)

Registrant's telephone number, including  
area code

(801) 322-5841

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange  
on which registered

Common (\$.10 par) assessable

Spokane Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed  
all reports required to be filed by Section 13 or 15(d) of the  
Securities Exchange Act of 1934 during the preceding 12 months (or  
for such shorter period that the registrant was required to file  
such reports), and (2) has been subject to such filing requirements  
for the past 90 days.

YES X

NO \_\_\_\_\_

Aggregate market value of the voting stock held by non-  
affiliates of the registrant as of February 27, 1991: \$481,808.



Number of shares outstanding of registrant's common stock, as of February 27, 1991: 1,244,458.

The following documents have been incorporated into this report by reference: Registrant's proxy statement for the 1991 annual meeting of stockholders and registrant's Annual Report to Stockholders for the year ended December 31, 1990, have been incorporated by reference into Part III of this report.

## PART I

### Item 1. Business:

South Standard Mining Company ("Registrant") was incorporated in the state of Utah in 1916. The Registrant owns mining properties, a working interest in a productive oil and gas lease, over-riding royalty interests in two productive oil and gas leases, and an interest in another mining company. The Registrant leases all of its mining property to others for exploration, development, and production.

The Registrant, in its business, does not rely upon any supplies of raw materials except as ore and oil and gas may exist on Registrant's properties, nor does Registrant rely upon any patents, trademarks, licenses, franchises, or concessions. The Registrant has not expended any funds during the last three fiscal years on research activities of any kind. The business of the Registrant is not seasonal and is not susceptible to effects from compliance with federal, state and local provisions which have been enacted or adopted regulating the discharge of materials into the environment, other than to the extent that such provisions may increase the production costs of the lessees of the Registrant's mining and oil and gas properties or prevent the operation thereof. The success of Registrant is entirely dependent upon the performance of its lessees and the income from oil and gas leases in which it has interests. The Registrant has only one salaried employee.

### Item 2. Properties:

Registrant is the owner of 214 patented mining claims containing 2,554 acres and 10 fractional unpatented mining claims containing 10 acres in the East Tintic Mining District in Utah and Juab Counties, Utah. In 1956, the Registrant, together with other companies owning properties in the Tintic Mining District, leased their mining properties as a unit ("Unit") to Kennecott Copper Corporation ("Kennecott"), for an initial term of 50 years with an option by Kennecott to renew the lease for an additional 50 years



("East Tintic Leases and Unit Agreement"). This is the major income-producing property of the Registrant from which ore containing lead, zinc, silver and gold has been mined from the Burgin Mine and Trixie Mine.

Burgin Mine.

In July, 1978 Kennecott shut down the Burgin Mine and the East Tintic Leases and Unit Agreement was amended to carve-out the 1,387 acre Burgin tract (Tract 1 of the Unit) and return its control to Chief Consolidated Mining Company ("Chief"). The carve-out provided that as long as the remaining portions of the Unit remained intact that Registrant would share in the same percentage of royalty interest in Tract 1 as had existed in the unit before the subject carve-out.

Registrant was informed by Chief, during the fourth quarter of 1980, that Sunshine Mining Company ("Sunshine") had, on October 15, 1980, exercised its option to lease from Chief the underground mining rights to approximately 1,387 acres, which includes Tract 1 (which includes the Burgin Mine) located in the East Tintic Mining District of Utah, which had been carved-out of the Unit by the amendment in July, 1978. The term of that lease is 50 years with a right to renew for an additional 25 years. The lease stipulates that Sunshine will pay to Chief \$100,000 annually as an advance royalty until such time as production commences. At such time, Sunshine will pay a royalty equal to 7.5 percent of the net smelter returns, of which 5 percent will be paid to Chief and the remainder will be distributed among the two other companies, including the Registrant, which hold royalty interests on that acreage, as long as the remaining Unit is intact. Registrant is entitled to 22-2/3 percent of any such \$100,000 advance royalty payment and 22-2/3 percent of the 7.5 percent production royalty payable by Sunshine to Chief.

The "New Burgin Mine" is the terminology used by Sunshine to describe its development of the new and extended ore body of the original Burgin Mine. Access to the Burgin Mine has also been enhanced by Sunshine through the nearby Apex shaft, the workings of which connect with the Burgin workings. Sunshine refers to this enhanced mine as the Apex-Burgin Mine.

Registrant was advised by Sunshine prior to 1986 that its estimate of new ore in the Burgin Mine indicated approximately 1,875,000 tons. The following amounts of ore reserves were set forth in Sunshine's annual report to shareholders for 1986:



Proven:

487,655 tons at 21.26 ounces of silver per ton, 21.2% lead and 7.55% zinc.

Probable:

534,011 tons at 22.26 ounces of silver per ton, 16.4% lead and 5.5% zinc.

During 1987, Sunshine advised Registrant that it would seek to have additional ore in the Burgin Mine certified as reserves as its drilling program proceeded. Sunshine has subsequently informed Registrant that it believes there is additional ore reserve potential along strike and down dip of the orebody.

For 1990, Sunshine has reported to Registrant that contact with outside companies continued through 1990 to attempt to find a joint venture partner for the New Burgin project. During January, Sunshine met with three representatives from Mitsui Mining & Smelting Company, Tokyo, Japan, and four representatives from Cyprus Metals Company ("Cyprus") to provide information for a general overview of this project. Cyprus again met with Sunshine in March to review all ore reserve data, drill holes, mine maps and hydrologic information for their Burgin evaluation. During May, Cyprus again visited Eureka Operations with two consulting hydrologists to discuss the ground water problems associated with dewatering the orebody. During the later part of the year, Cyprus notified Sunshine that they were currently not interested in a joint venture on the Burgin property.

Meetings were held with the Department of Health Bureau of Water Pollution Control ("BWPC") during the first six to seven months of the year. These meetings defined the general information, procedures and required hydrogeological data that will need to be addressed for final approval of a "conditional use permit". This permit is required before Sunshine may utilize the dispersion ponds for Burgin mine dewatering.

Earth Fax Engineering, a hydrogeologic consulting company from Salt Lake City, completed a water monitoring report for Sunshine. This report, "Revised Plan to Monitor Ground Water Impacts of Water Discharged From Pumping Tests in the Proposed New Burgin Mine," was submitted during May. The BWPC, after its review of the above report, asked Sunshine to re-submit another modified report that would more fully address their concerns. On August 22, 1990, a "modified" report, per the BWPC request, was submitted to their bureau. This new report addressed all of the State's concerns regarding monitor well installation and hydrogeologic testing in the vicinity of the dispersion ponds.



During September, Loren Morton, BWPC, stated that Sunshine had permission to complete the proposed deepwell at the Burgin site for mine dewatering tests. Mr. Morton indicated that when Sunshine starts this phase of the project his bureau would complete their final review of the proposed monitor well system. (Note, on February 1, 1991 the Apex-Burgin Project was put on hold, due to low silver prices.)

While Registrant is encouraged by developments so far with respect to the Burgin Mine, it makes no estimate or representation as to the commercial potential of its mineralization. Further development activities and production with respect to that property are still undetermined at this time.

#### Trixie Mine.

In April, 1983, Sunshine acquired all of the leases in the Unit from Kennecott and became the lessee of Registrant's East Tintic properties. Annual production by Sunshine from the East Tintic Unit (Trixie Mine) has been as follows: 31,115 tons of ore in 1990; 28,343 tons in 1989; 22,564 tons in 1988, 2,017 tons in 1987; and none in 1986. The extent and quality of the ore bodies in the unit tract are not known, and accurate estimates of reserves cannot be made by Registrant's management. Long-range estimates of ore reserves have historically not been maintained by operators in the Tintic Mining District due to the irregular shapes and dimensions of the replacement ore bodies in a complex structural environment. Sunshine reported to Registrant at the end of 1985 that its calculation of ore reserves in the Trixie Mine was 69,100 tons with a grade of 7.59 oz. of silver per ton, .115 oz. of gold per ton and 1.317% copper. No additional reserve reports for the Trixie Mine have been received from Sunshine since 1985. However, the reserves in the Trixie Mine have generally and historically remained rather stable, with development of new reserves generally keeping pace with the ore produced each year. Since production from the Trixie Mine started in 1969, over 600,000 tons of ore have been mined with an average grade of 0.2 oz. per ton gold and 5 to 6 oz. per ton silver. No studies have been made by the Registrant which would enable it to estimate ore reserves, if any, presently existing on the property.

The average grade of Trixie ore in 1990 was 6.68 oz of silver per ton and 0.274 oz of gold per ton. From the 31,115 tons of ore produced in 1990, there were 207,706 oz of silver and 8,519 oz of gold.

Sunshine reported to Registrant that in 1990, mine production came from three levels, the 750, 900 and 1050, with all



mine production centered on the 75-86 vein. Work during the year has documented the existence of post-ore faulting which has offset the 75-86 vein up to 20 feet and complicated production from stoping areas.

Two diamond drill holes were completed during the year. Both holes were drilled from the 75-86 drift, 750 level, to test previously defined geochemical anomalies. T-7-90 was collared and advanced through Tertiary flows, rubble zones, and Tintic quartzites to a total depth of 1293 feet. The projected target area was encountered in a zone from 1093.0 feet to 1113.0 feet which contained strongly iron-stained pebble dikes and fault gouge in a brecciated Tintic quartzite. Diamond drill hole T-7-91 tested a downdip projection of a previously defined low grade silver anomaly intersect in the 75-86 drift. This low grade silver zone occurs in latite flows directly overlying quartzites and hole T-8-90 tested the area immediately below the known low grade silver zone. This hole was bottomed at 316 feet in Tintic quartzite.

The 12-83 drift, 1200 level, was completed during the year. This drift heading investigated a mineralized zone previously drilled with the PR-123 percussion drill. A small vein was intersected which had reported assays up to 12.0 ounces per ton silver and 0.144 ounces per ton gold over a four-foot width. A two-compartment raise with "I" drifts investigated this mineralization above the level but grades were lower than indicated by the earlier drilling so this project was stopped.

Work continued to evaluate the Eureka Standard 1100 level via the Trixie 13-12 drift through June of the reporting year. Access along the old Eureka Standard 1100 level to the Eureka Standard shaft had been completed at year-end 1989. During 1990, work along this level consisted of percussion longhole drilling, rehabilitating old raises and advancing short drifts and slusher scrams into areas where mine maps indicated old pillars were still present. Longhole drilling was also directed at small vein projections ahead of old working faces to evaluate the undeveloped segments of these vein systems.

An exploration drift was started in early April to intersect the down-dip projection of a prominent surface pebble dike at the 900 level of the Trixie mine. Drift turnout was near the north limit of the 90 81 stope block. Total distance to the target area at approximately N30E was 525 feet. By year end, 325 feet of the drift had been completed and no mineralization of significance had been encountered.



Starting in July 1990, the Apex No. 2 13-11 drift was advanced southwest parallel to the Eureka Standard fault to gain access to the Eureka Standard 1300 level. By year end, 1277 feet of drift had been completed and 44 feet of slusher scam had been driven. Work to date has defined areas of iron oxide associated with northeast-trending fractures that contain narrow 1-2 inch wide veinlets. These small vein sets contained sub-ore to ore grade mineralization, but due to their narrow widths are uneconomic to actively develop. By year end, work continued to test for ore grade pillars and provide access to complete an underground diamond drill hole program to test the down-dip projection of the Eureka Standard ore run.

#### Eureka Standard Mine.

Work to evaluate the Eureka Standard Mine, which is on Registrant's property and lies between the Trixie and Burgin mines, was started in 1988 and continued in 1990. Sunshine has reported to Registrant that rehabilitation and geological evaluation of the Eureka Standard mine 1100 level continued through 1990. Work from the Apex-Burgin drifts have produced no significant results. Further work is uncertain due to the shutdown noted above.

The Eureka Standard mine produced 373,467 tons of ore prior to World War II with a grade of 0.7 oz. per ton gold, 9.3 oz. per ton silver and 4.0% copper. It was the highest grade precious metal mine in the district. Sunshine has informed Registrant that further potential may exist.

#### General.

In October, 1982, the East Tintic Leases and Unit Agreement was amended to provide for the carve-out of Tracts 2 and 3 of the Unit and their return to Chief. These tracts comprise 2013 acres in the northwest part of the Unit along the Homansville fault. This carve-out is essentially the same as the Burgin Mine carve-out and Registrant's royalties will be the same as in the Burgin, as long as the rest of the Unit remains intact. The minimum royalty in the Unit was reduced to \$42,000 per year from \$60,000. Under a separate agreement among the Lessors entered into in 1982, Chief agreed to make up the reduction of minimum royalty to the other Lessors, if applicable, on a sliding scale arrangement. Chief has advised Registrant that it is continuing to seek new lessees for this property.

On or about August 15, 1989, Registrant and Chief entered into an agreement which provides, among other things, that in the



event the existing East Tintic Leases and Unit Agreement is terminated, forfeited or cancelled, the parties will continue to maintain their respective interests in royalties from the properties subject to the East Tintic Leases and Unit Agreement until at least August 29, 2006 (or later if there is any active mining and commercial production continuing on any of the said properties).

Registrant received \$115,100 in royalty payments from the Unit and Burgin Tract in 1990, compared with \$126,102 in 1989 and \$110,640 in 1988.

Sunshine reported that work to satisfy the Iron Blossom Lease was conducted near the Iron Blossom No. 1 shaft during October, 1990. Three surface reverse circulation holes tested an area east and south of the shaft where old mine maps outlined a large vertical pipe of oxidized siliceous vein material. This area had reported assays up to 2.5 ounces per ton silver with anomalous gold values. Drill hole IB-1-90 had a planned depth to 500 feet, but the hole was stopped at 340 feet because of adverse drilling conditions.

Meetings with representatives from Ash Grove Cement West, Inc. and Sunshine were held in January to interest their company in purchasing alumina clay and iron oxides from Sunshine to blend with their limestone to manufacture cement. The clay occurs on and adjacent to Sunshine's Zuma property and was originally mined by U.S. Energy for sale to Filtrol. A sampling program by both Sunshine and Ash Grove indicated that the clay would be suitable for use at their plant. Consequently, in April, Ash Grove purchased a test lot of 2,000 tons of clay for use at their operation. This alumina clay, as confirmed by personal communication with Ash Grove, performs exceptionally well and by year end, they had indicated that they would purchase approximately 50,000 tons on an annual basis. During 1990, 19,767 tons of clay had been shipped to the cement plant.

Gold and silver prices continue to decline with decreasing investor demand. At this time last year, gold was about \$420.00 per ounce and silver was at \$5.30 per ounce. This year, gold is down to \$360.00 per ounce and silver is at \$3.58 per ounce, for a historical low ratio of 100/1 (silver ounces to equal one ounce of gold in value). Prices for lead and Zinc have also declined sharply. Management of Registrant believes that strengthening in gold and silver prices will develop, eventually, which would be favorable to the development and operations of its properties in the East Tintic District.



The additional properties and assets which Registrant owns as of December 31, 1990, include a 12.8% interest in Tintic Uranium Company, a mining company which is unrelated to Registrant's leased property in the Unit. Tintic Uranium Company has 177 acres of underdeveloped copper ore bearing property located in San Juan County, Utah. Registrant also owns a 5% working interest in a 400 acre producing oil and gas lease in Culberson County, Texas; and a 2.46% overriding royalty interest in 868 acres of producing oil and gas leases in Cooke County, Texas, acquired through the merger with Eureka Standard Consolidated Mining Company in 1983.

Item 3. Legal Proceedings:

During 1989, the Registrant was named as a defendant in a lawsuit filed in the United States District Court, District of Utah, Central Division as No. 89-C-523W. The plaintiff was Chief and the other defendants were Sunshine, Sunshine Precious Metals, Inc. and Drexel, Burnham, Lambert, Incorporated. Pursuant to the Stipulations and Joint Motion for Dismissal of South Standard Without Prejudice, together with the Joinder of South Standard as Plaintiff on Fourth Claim for Relief Against Sunshine Mining Company and Sunshine Precious Metals, Inc., the Court dismissed the claim of Chief against Registrant and realigned Registrant as a co-plaintiff on the Fourth Claim for Relief in the Amended Complaint. During 1990 this lawsuit was dismissed, and a similar lawsuit, with Registrant as a co-plaintiff on one of the claims for relief was filed in the Fourth Judicial Court in and for Utah County, State of Utah. Although Registrant's legal counsel cannot predict the likelihood of an adverse outcome of this litigation, such counsel has informed Registrant that since Registrant has now been realigned as a co-plaintiff, it is not likely that Registrant will incur any loss as a result of this litigation.

Item 4. Submission of Matters to a Vote of Security Holders.

The Registrant did not submit any matters to a vote of its security holders during the fourth quarter of the fiscal year ended December 31, 1990.

Executive Officers of the Registrant.

The names of all executive officers of the Registrant as of December 31, 1990, and their positions and offices with the Registrant, are as follows:



<u>Name and Age</u>	<u>Position and Office</u>
Thomas A. Henry, Jr. (52)	President and Director (Principal Executive Officer) since 1978.
J. Murray Ruby (70)	Secretary-Treasurer and Director (Principal Financial and Accounting Officer) since 1975.
Russell B. Taylor (65)	Vice President and Director since 1978.

## PART II

### Item 5. Market For the Registrant's Common Equity And Related Stockholder Matters.

The Registrant's stock was approved by the Securities and Exchange Commission to be listed and traded on the Spokane Stock Exchange effective December 14, 1989. The Registrant believes that the principal market makers of its common stock in the over-the-counter market are Potter Investment Company, Salt Lake City, Utah, Wilson-Davis Securities (Ernest Muth), Salt Lake City, Utah, and Paragon Capital Corporation, Boca Raton, Florida. The market makers on the Spokane Stock Exchange are: Pennaluna & Company and Spokane Securities Corp., both in Spokane, Washington. The following table sets forth, for the periods indicated, the high and low prices (bid-asked) for Registrant's stock as reported on the over-the-counter market.

<u>Year Ended</u> <u>December 31</u>		<u>High</u>		<u>Low</u>	
		<u>Bid</u>	<u>Asked</u>	<u>Bid</u>	<u>Asked</u>
1989:	First Quarter	\$1.125	\$1.50	\$1.00	\$1.375
	Second Quarter	1.125	1.50	1.00	1.375
	Third Quarter	1.125	1.50	0.875	1.25
	Fourth Quarter	1.25	1.625	1.00	1.375
1990:	First Quarter	\$1.25	\$1.625	\$0.875	\$1.25
	Second Quarter	0.875	1.375	0.50	1.00
	Third Quarter	0.625	0.875	0.625	0.875
	Fourth Quarter	0.625	0.875	0.50	0.875

The approximate number of holders of record of Registrant's common stock as of December 31, 1990 was 622.

Registrant paid a cash dividend of \$.05 per share on June 30, 1980 which was the first dividend Registrant had paid since incorporation in 1916. Registrant also paid a \$.05 per share dividend in 1981 and a \$.03 per share dividend in 1982. No dividend was paid in 1983 or 1984, due to the costs of the merger with Eureka Standard Consolidated Mining Company and no further dividends have been paid through December 31, 1990. Registrant's ability to pay dividends in the future is dependent upon the continued receipt of royalty payments with respect to its mining leases. Registrant's policy with respect to dividends is as follows:

South Standard Mining Company is a natural resources company, non-operational in nature, whose purposes are to seek the development of its properties to their fullest potential, to share a substantial portion of its net income with its shareholders on a regular basis, and to consider additional investments in land and natural resources and their development, as may be appropriate.

To accomplish these purposes the Board will adopt from time to time such policies as are consistent with this statement of corporate purposes.

Item 6. Selected Financial Data.

	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
Total Assets	<u>\$715,253</u>	<u>\$691,565</u>	<u>\$701,662</u>	<u>\$705,577</u>	<u>\$701,774</u>
Royalties, interest and other income	<u>\$ 44,194</u>	<u>\$ 63,336</u>	<u>\$121,672</u>	<u>\$141,889</u>	<u>\$134,170</u>
General and administrative expenses	<u>\$ 56,792</u>	<u>\$ 66,463</u>	<u>\$ 61,827</u>	<u>\$ 84,007</u>	<u>\$ 81,897</u>
Net income (loss)	<u>\$(35,949)</u>	<u>\$(23,900)</u>	<u>\$ 10,115</u>	<u>\$ 2,433</u>	<u>\$ (2,484)</u>



	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
Earnings (loss) per share of capital stock	<u>\$(.03)</u>	<u>\$(.02)</u>	<u>\$.008</u>	<u>\$.002</u>	<u>\$(.002)</u>
Weighted average number of shares outstanding	<u>1,245,795</u>	<u>1,244,458</u>	<u>1,244,458</u>	<u>1,244,458</u>	<u>\$1,244,458</u>
Dividends declared (per share)	-	-	-	-	-

Item 7. Management's Discussion And Analysis of Financial Condition and Results of Operation.

LIQUIDITY AND CAPITAL RESOURCES

Registrant's liquidity and capital resources are interrelated inasmuch as the cash flow and capital resources are both derived primarily from royalty income. Registrant's other major sources of liquidity are derived from interest-bearing investments and oil and gas over-riding royalty and working interest income.

As of the latest fiscal period, there were no material commitments for capital expenditures. Favorable and unfavorable trends in Registrant's capital resources are directly related to metal prices and production rates from which royalty income is derived. Change in equity was due to the 1990 decrease in operating income. Registrant has no debt or off-balance sheet financing.

RESULTS OF OPERATIONS

Registrant's revenues were lower in 1990 than in 1989, due to decreases in mining royalty income.

Interest income in 1990 was higher than in 1989 due to more funds bearing interest.

Expenses in 1990, excluding depletion, decreased from 1989. Depletion expense increased because of larger tonnage of ore mined from Registrant's property.

For the Registrant's three most recent fiscal years, price inflation has had a variable effect on Registrant's income from

metals and oil. Inflation in other parts of the economy has increased general and administrative expenses.

Item 8. Financial Statements and Supplementary Data.

The financial statements of Registrant are filed pursuant to this item of the report. See the Index to Financial Statements on page 15.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

There were no developments relevant to this item during Registrant's fiscal year ended December 31, 1990.

PART III

Items 10, 11, 12 and 13 of this report are incorporated herein by reference from the Registrant's definitive proxy statement to be filed pursuant to Regulation 14A within 120 days after the close of Registrant's fiscal year.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8K.

(a) The following documents are filed as part of this report:

1. Financial statements.
2. No financial statement schedules are required to be filed by the Registrant.
3. Exhibits: None.

(b) No reports on Form 8-K have been filed during the last quarter of the period covered by the report.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SOUTH STANDARD MINING COMPANY

Dated: March 25, 1991 By /s/ Thomas A. Henry, Jr.  
Thomas A. Henry, Jr.  
President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Dated: March 25, 1991 /s/ Thomas A. Henry, Jr.  
Thomas A. Henry, Jr.  
President and Director  
(Principal Executive Officer)

Dated: March 25, 1991 /s/ Thomas B. Faddies  
Thomas B. Faddies  
Director

Dated: March 25, 1991 /s/ Philip M. Lindstrom  
Philip M. Lindstrom  
Director

Dated: March 25, 1991 /s/ J. Murray Ruby  
J. Murray Ruby  
Secretary - Treasurer and Director  
(Principal Financial Officer and  
Principal Accounting Officer)

Dated: March 25, 1991 /s/ Russell B. Taylor  
Russell B. Taylor  
Vice President and Director



LIST OF FINANCIAL STATEMENTS AND SCHEDULES  
for the years ended December 31, 1990, 1989, and 1988

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	<u>Pages</u>
Report of Independent Public Accountants	F-1
Financial Statements:	
Balance Sheets	F-2
Statements of Operations	F-3
Statements of Stockholders' Equity	F-4
Statements of Cash Flows	F-5
Notes to Financial Statements	F-6 - F-10

Schedules omitted herein are so omitted either because they are not required or because the required information is contained in the financial statements or notes thereto.

rlc 2092/lb

ARTHUR ANDERSEN & CO.  
SALT LAKE CITY, UTAH

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of  
Directors of South Standard Mining Company:

We have audited the accompanying balance sheets of South Standard Mining Company (a Utah corporation) as of December 31, 1990 and 1989, and the related statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1990. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Standard Mining Company as of December 31, 1990 and 1989, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1990 in conformity with generally accepted accounting principles.

A substantial portion of the Company's assets consist of leased mining property, the net unrecovered cost of which was \$471,869 at December 31, 1990. As discussed in Note 2 to the financial statements, the economic state of the mining industry and the continued suspension of mining operations in the Burgin Mine make it uncertain whether the Company will be able to recover the cost of these properties from future production.

Salt Lake City, Utah  
January 25, 1991

*Arthur Andersen & Co.*



# SOUTH STANDARD MINING COMPANY

## BALANCE SHEETS

	<u>December 31,</u>	
<u>ASSETS</u>	<u>1990</u>	<u>1989</u>
PROPERTY:		
Leased mining property, East Tintic Mining District (Notes 2 and 3)	\$757,537	\$760,433
Oil and gas leaseholds, developed (Note 5)	60,500	60,500
Other	<u>1,877</u>	<u>1,877</u>
	819,914	822,810
Less accumulated depletion and depreciation	<u>(331,409)</u>	<u>(285,532)</u>
	<u>488,505</u>	<u>537,278</u>
CURRENT ASSETS:		
Cash	7,377	9,179
U.S. Treasury Bills, at cost (market value of \$172,828 and \$123,862, respectively)	170,950	122,689
Accounts receivable	30,474	34,098
Income tax refund receivable	<u>3,615</u>	<u>1,480</u>
	<u>212,416</u>	<u>167,446</u>
INVESTMENTS:		
Tintic Uranium Company, capital stock (Note 4)	<u>853</u>	<u>853</u>
	\$701,774	\$705,577
	=====	=====
 <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u> 		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,430	\$ 2,749
STOCKHOLDERS' EQUITY:		
Capital stock, \$.10 par value, 1,300,000 shares authorized and issued	130,000	130,000
Additional paid-in capital	608,743	608,743
Accumulated deficit	<u>(32,845)</u>	<u>(30,361)</u>
	705,898	708,382
Less 55,542 shares held in treasury at par value	<u>(5,554)</u>	<u>(5,554)</u>
	<u>700,344</u>	<u>702,828</u>
	\$701,774	\$705,577
	=====	=====

The accompanying notes to financial statements  
are an integral part of these balance sheets.

SOUTH STANDARD MINING COMPANY

STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	<u>1990</u>	<u>1989</u>	<u>1988</u>
REVENUES:			
Royalties from leased mining properties (Note 2)	\$ 115,100	\$ 126,102	\$ 110,640
Oil and gas leasehold operations (Note 5)	6,577	7,066	6,479
Interest	11,852	8,080	3,763
Other	<u>641</u>	<u>641</u>	<u>790</u>
	<u>134,170</u>	<u>141,889</u>	<u>121,672</u>
EXPENSES:			
Depletion and depreciation	45,877	43,734	36,836
General and administrative	81,897	84,007	61,827
Oil and gas leasehold expenses (Note 5)	4,627	6,223	4,050
Other	<u>-</u>	<u>329</u>	<u>281</u>
	<u>132,401</u>	<u>134,293</u>	<u>102,994</u>
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	1,769	7,596	18,678
PROVISION FOR INCOME TAXES (Note 3)	<u>(4,253)</u>	<u>(5,163)</u>	<u>(8,563)</u>
NET INCOME (LOSS)	\$ (2,484) =====	\$ 2,433 =====	\$ 10,115 =====
NET INCOME (LOSS) PER SHARE OF CAPITAL STOCK	\$ (.002) =====	\$ .002 =====	\$ .008 =====
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	<u>1,244,458</u>	<u>1,244,458</u>	<u>1,244,458</u>

The accompanying notes to financial statements  
are an integral part of these statements.



SOUTH STANDARD MINING COMPANY

STATEMENTS OF STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 1990, 1989 AND 1988

	<u>Capital Stock</u>		<u>Additional</u>	<u>Treasury</u>	<u>Accumulated</u>
	<u>Number of</u>	<u>Amount</u>	<u>Paid-in</u>	<u>Shares</u>	<u>Deficit</u>
	<u>Shares</u>		<u>Capital</u>		
Balance, December 31, 1987	1,300,000	\$130,000	\$ 608,743	\$ (5,554)	\$(42,909)
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,115</u>
Balance, December 31, 1988	1,300,000	130,000	608,743	(5,554)	(32,794)
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,433</u>
Balance, December 31, 1989	1,300,000	130,000	608,743	(5,554)	(30,361)
Net loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,484)</u>
Balance, December 31, 1990	1,300,000	\$130,000	\$ 608,743	\$ (5,554)	\$(32,845)
	=====	=====	=====	=====	=====

The accompanying notes to financial statements  
are an integral part of these statements.

SOUTH STANDARD MINING COMPANY

STATEMENTS OF CASH FLOWS

Increase (Decrease) in Cash

	<u>Year Ended December 31,</u>		
	<u>1990</u>	<u>1989</u>	<u>1988</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	\$ (2,484)	\$ 2,433	\$ 10,115
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depletion and depreciation	45,877	43,734	36,836
Utilization of acquired net operating loss carryforwards (Note 3)	2,896	3,822	7,999
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	3,624	(3,408)	(24,070)
(Increase) decrease in income tax refund receivable	(2,135)	1,340	(2,820)
Increase (decrease) in accounts payable	(1,319)	1,482	(18)
	-----	-----	-----
Net cash provided by operating activities	46,459	49,403	28,042
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net purchase of U.S. Treasury Bills	(48,261)	(49,084)	(34,160)
	-----	-----	-----
Net cash used in investing activities	(48,261)	(49,084)	(34,160)
	-----	-----	-----
Net increase (decrease) in cash	(1,802)	319	(6,118)
CASH AT BEGINNING OF YEAR	9,179	8,860	14,978
	-----	-----	-----
CASH AT END OF YEAR	\$ 7,377	\$ 9,179	\$ 8,860
	=====	=====	=====

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

During the year ended December 31, 1990, the Company paid \$4,972 for state income taxes.

The accompanying notes to financial statements  
are an integral part of these statements.



## SOUTH STANDARD MINING COMPANY

### NOTES TO FINANCIAL STATEMENTS

#### (1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

South Standard Mining Company (the "Company") was incorporated in the state of Utah in 1916. The Company owns mining properties, a working interest in a productive oil and gas lease, overriding royalty interests in two productive oil and gas leases, and an interest in another mining company. The Company leases all of its mining property to others for exploration, development and production.

##### Depletion

Depletion of mineral properties is computed using the units of production method based upon estimated recoverable reserves (see Note 2). Amortization has not been provided for undeveloped mineral rights as all such costs apply to the acquisition, exploration and development of properties which are not in the production stage. Provision for amortization of oil and gas leaseholds has been made on a straight-line basis with asset lives of ten years.

##### Furniture and Fixtures

Furniture and fixtures are recorded at cost. Depreciation was provided based on the straight-line method over five years.

##### Income Taxes

The Company provides for the income tax effect of timing differences between financial and taxable income.

#### (2) MINING PROPERTY

The Company is the owner of mining properties in central Utah which contain base and precious metal ores. In 1956, the Company, together with other companies owning properties in the East Tintic Mining District of Utah, leased their mining properties as a unit to Kennecott Copper Corporation ("Kennecott") for an initial term of 50 years (the "Unit Lease") with an option by Kennecott to renew the lease for an additional 50 years thereafter. In April 1983, Sunshine Mining Company ("Sunshine") acquired the Unit Lease and the option from Kennecott. Currently, there are two lessors to the Unit Lease: Chief Consolidated Mining Company ("Chief") and the "Tintic Group" (in which the Company and Chief are participants). Lessor income from production is allocated two-thirds to the owner of the property being mined and one-third to the other party.



In June 1978, the Unit Lease was amended and provides that the lessors will, in the aggregate, receive a 7.5 percent "net smelter return" from the Trixie mine and any other mines to be developed on the East Tintic Unit which is payable monthly. If such return for the year exceeds \$25,000,000 the royalty rate increases to 10 percent. The royalty agreement guarantees a minimum annual royalty to the lessors as a group. In 1982, this agreement was amended to provide a minimum annual royalty of \$42,000. Operating costs, losses and expenses are borne by the lessee and are not charged to the lessors.

The only developed mine owned by Chief in the Unit Lease area is the Burgin Mine. Effective October 15, 1980, Chief leased the underground mining rights to Sunshine for 50 years. The lease provides for the payment of advance royalties by Sunshine to Chief of \$100,000 on the effective date. Commencing on January 1, 1982 and each January 1 thereafter, an additional advance royalty of \$100,000 shall be paid by Sunshine to Chief until such time as Chief commences to receive net smelter return royalties on any future production which will equal 7.5 percent of the net smelter returns or \$150,000, whichever is greater.

With respect to properties owned by Chief, the royalties under the agreement are distributed among the lessors as follows:

Chief Consolidated Mining Company	77-1/3 percent
South Standard Mining Company	22-2/3 percent

Royalties attributable to properties owned by the Tintic Group are distributed as follows:

Chief Consolidated Mining Company	54-2/3 percent
South Standard Mining Company	45-1/3 percent

For the years ended December 31, 1990, 1989 and 1988, the Company's share of such royalty payments was \$115,100, \$126,102 and \$110,640, respectively.

Sunshine mined 30,039, 28,343 and 22,564 tons in the Trixie mine in 1990, 1989 and 1988, respectively.

The Tintic Group, as lessors, have had difficulty in establishing a reasonable basis for amortization of the remaining property costs in the leased property. Overall long-range estimates of ore reserves have not been maintained historically by operators in the Tintic Mining District due to the irregular shapes and dimensions of the replacement ore bodies in the complex structural environment.



No studies have been made by the Company which would enable it to estimate ore reserves, if any, presently existing on the property except as noted in the next paragraph. In 1966, solely for financial statement purposes and amortizing property costs, the Company began using the figure of 3,000,000 tons of possible commercial ore in the East Tintic Unit. This figure was not based on any recognized method of determining ore reserves and, at that time, no known commercially mineable ore bodies had been established on the property. At the time of the Company's merger with Eureka Standard Consolidated Mining Company ("Eureka") in 1983, it was estimated that approximately 650,000 tons of possible commercial ore remained in the East Tintic Unit based upon the original estimate of 3,000,000 tons.

In 1984, Sunshine completed a study of ore reserves in the Burgin Mine. Results indicated possible reserves of approximately 1,875,000 tons. During 1986, 487,655 of these tons were certified as proven reserves and 534,011 tons as probable reserves. The previously mentioned 650,000 tons of ore, however, is currently being used as the depletion base since it is the most consistent and reasonable reserve amount available given the fact that the certified ore reserves relate only to the Burgin mine.

The Company's unrecovered investment in mining properties in the East Tintic Mining District, net of applicable depletion, is \$471,869 as of December 31, 1990, representing approximately 67 percent of total assets as of that date. The economic state of the mining industry and the continued suspension of mining operations in the Burgin Mine make it uncertain whether the Company will be able to recover its investment in these properties from future production.

### (3) INCOME TAXES

The components of the income tax provision are as follows:

	Year Ended December 31,		
	1990	1989	1988
Current provision:			
Federal	\$3,866	\$4,413	\$6,894
State	1,357	1,548	2,419
	-----	-----	-----
	5,223	5,961	9,313
Deferred benefit:			
Federal	(718)	(591)	(555)
State	(252)	(207)	(195)
	-----	-----	-----
	(970)	(798)	(750)
	-----	-----	-----
	\$4,253	\$5,163	\$8,563
	=====	=====	=====

The income tax provisions for 1990, 1989, and 1988 are different from the amounts computed by applying the statutory Federal income tax rate to income before income taxes. The reasons for these differences are as follows:

	Year Ended December 31,		
	1990	1989	1988
Provision at Federal statutory rate	\$ 601	\$ 2,583	\$ 6,350
State income taxes (net of Federal income tax benefit)	75	323	794
Federal tax rate bracket differential	(336)	(1,443)	(2,453)
Expenses not deductible for tax purposes	-	-	1,375
Book depletion in excess of tax depletion	3,913	3,700	2,497
Provision for income taxes	<u>\$ 4,253</u>	<u>\$ 5,163</u>	<u>\$ 8,563</u>

The sources of the deferred income tax benefit are as follows:

	Year Ended December 31,		
	1990	1989	1988
Book depletion in excess of tax depletion	\$(1,060)	\$ (894)	\$ (790)
Other	90	96	40
	<u>\$ (970)</u>	<u>\$ (798)</u>	<u>\$ (750)</u>

The Company has a net operating loss ("NOL") carryforward for Federal tax purposes of approximately \$280,000, much of which was acquired from Eureka as part of the merger in 1983, which can be used to offset future taxable income, if any, and expires beginning in 1992 and extending through 2002. The Company has no NOL carryforwards for financial reporting purposes.

Acquired NOL carryforwards for tax purposes were utilized in 1990, 1989 and 1988, the effect of which was to reduce income tax liabilities by \$2,896, \$3,822 and \$7,999, respectively. In accordance with APB Opinion No. 16, this has been recorded as an adjustment to the 1983 purchase price of Eureka. Accordingly, the carrying amount of the leased mining property has been reduced in the accompanying financial statements.



In 1987, the Financial Accounting Standards Board issued Statement (SFAS) No. 96, "Accounting for Income Taxes." The Company is required to adopt the new accounting and disclosure rules no later than 1992 although earlier implementation is permitted. Adoption of Statement No. 96 will result in a catch-up adjustment that may be reported in income in the year the rules are implemented or in an earlier year if the Company elects to apply Statement No. 96 retroactively. The Company has not decided when it will adopt the new standard or if it will restate prior periods. Although the effects of SFAS No. 96 are still being analyzed, the Company's preliminary estimates indicate that it is not expected to have a material effect on the Company's reported financial position because of the significant NOL carryforward for tax purposes.

(4) TINTIC URANIUM COMPANY

The Company and Tintic Uranium Company ("Tintic") have certain common ownership and management. Tintic is also a mining company, unrelated to the Company's leased property known as the East Tintic Mining District.

(5) OIL AND GAS INFORMATION

The Company has a .0507812 working interest with respect to oil and gas in one leased tract in Culberson County, Texas. The operator of that tract has advised the Company that there is no engineering data in existence to determine proven reserves. The Company has a .0246090 overriding royalty interest with respect to oil and gas in two leased tracts in Cook County, Texas, operated by R.F. Walterschied. Due to the small size of this interest and its character as an overriding royalty, information on proven reserves is not available to the Company.

These oil and gas interests were acquired from Eureka as part of the merger in 1983 and have been recorded at their estimated fair value at the date of acquisition of \$60,500.

The Company engages in no acquisition, exploration or development activities. The Company's share of oil production during 1990, 1989 and 1988 from the producing tracts described above was 300, 368 and 389 barrels, respectively. The Company's share of gas production during 1990 and 1989 from the producing tracts described above was 342 and 574 thousand cubic feet, respectively. There was no gas production during 1988.

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